

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-03

INR-10 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 LAB-04 SIL-01 OMB-01 /056 W

-----014858 081043Z /10

R 080615Z MAR 78

FM AMEMBASSY MBABANE

TO SECSTATE WASHDC 4141

INFO AMCONSUL CAPE TOWN

AMEMBASSY GABORONE

AMCONSUL JOHANNESBURG

AMEMBASSY MAPUTO

AMEMBASSY MASERU

AMEMBASSY PRETORIA

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CAPE TOWN FOR EMBASSY

E.O. 11652: N/A

TAGS: ECON, EALR, WZ

SUBJECT: SOUTHERN AFRICA CUSTOMS UNION (SACU)

REF: (A) GABORONE 0356; (B) 77 MBABANE A-56

1. EMBOFF RECENTLY HAD SEPARATE DISCUSSIONS WITH TWO OF THE THREE GOS OFFICIALS WHO ATTENDED SACU MEETING IN GABORONE ON FEBRUARY 22. BOTH ARE MID-LEVEL TECHNOCRATS WITH REGULAR RESPONSIBILITY FOR SACU AFFAIRS: HANS STRYDOM, CHIEF CUSTOMS OFFICER; AND RICHARD PATER, CHIEF STATISTICIAN, CENTRAL STATISTICAL OFFICE. IN ORDER TO AVOID REPEATING MUCH OF THE DETAIL AND BACKGROUND CONTAINED IN REF A, THIS TELEGRAM WILL CONCENTRATE ON GOS PERCEPTIONS OF SAG ACTIONS AND INTENTIONS WITHIN THE SACU AND ON THE PROPOSED SALES TAX.

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2. PATER AND STRYDOM SEPARATELY AGREED THAT GOS POLICYMAKERS HAVE NOT FOCUSED ON ISSUE OF SALES TAX. IN GENERAL, GOS IS HIGHLY DISSATISFIED WITH SAG HANDLING OF SACU AFFAIRS. HOWEVER, DISSATISFACTION DOES NOT YET EXTEND TO POINT OF WITHDRAWAL OR SERIOUS ALTERATION OF CURRENT SACU STRUCTURE (REF B). BASIC POINT OF CONTENTION IS THAT

GOS (AND PRESUMABLY BOTSWANA AND LESOTHO) ARE SIMPLY INFORMED WHAT THE CHANGES IN THE SACU WILL BE; THEY ARE NOT CONSULTED PRIOR TO THE PROPOSED CHANGES. AS AN EXAMPLE, SAG RECENTLY ANNOUNCED A NEW SYSTEM FOR MONITORING SWAZILAND'S IMPORTS. GOS WAS GIVEN 8 DAYS' NOTICE PRIOR TO IMPLEMENTATION. COMMENT: SAG APPARENTLY FEELS THAT GOS IS INFLATING IMPORT STATISTICS TO SHOW A LARGER AMOUNT THAN ACTUALLY IS THE CASE IN ORDER TO QUALIFY FOR A LARGER-THAN-DESERVED SHARE OF SACU REVENUE. STRYDOM CLAIMS THAT A RECENT AUDIT SHOWS IMPORTS TO SWAZILAND HAVE INCREASED 56 PER CENT FROM 1972-73 TO 1977-78. UP TO THIS TIME SAG HAS HAD TO ACCEPT GOS FIGURES ON IMPORTS. END COMMENT.

3. GOS HAS ADOPTED A WAIT-AND-SEE ATTITUDE ON A SALES TAX IN SOUTH AFRICA UNTIL THE FINAL FORM OF THE BILL HAS BEEN PASSED BY PARLIAMENT. GOS ACCEPTS RIGHT OF SAG TO IMPOSE AN INTERNAL SALES TAX IN RSA THAT WOULD HAVE NOTHING TO DO WITH OTHER SACU MEMBERS AND DOES NOT VIEW IT AS A THREAT TO SACU. STRYDOM COMMENTED THAT THE SALES TAX IS VIEWED AS INCREDIBLY REGRESSIVE AND WOULD NOT BE INSTITUTED IN SWAZILAND.

4. STRYDOM STATED THAT HE IS RESPONSIBLE FOR LISISON WITH BOTSWANA AND LESOTHO TO COORDINATE RESPONSE WHEN FINAL TAX FORMAT IS ANNOUNCED. HOWEVER, GOS HAS TAKEN A LIMITED OFFICIAL USE

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SOMEWHAT DIFFERENT INITIAL ATTITUDE FROM THAT OF OTHER SACU PARTNERS. SOME GOS POLICYMAKERS FEEL THAT THE RSA SALES TAX COULD HAVE BENEFICIAL IMPLICATIONS FOR SWAZILAND. WITH GOODS BEING 5 PER CENT CHEAPER (EXPECTED AMOUNT OF SALES TAX) HERE, AND NO TAX ON TOURISM ACTIVITIES, SWAZILAND COULD ATTRACT A LARGE NUMBER OF SHOPPERS/TOURISTS AND HELP REVIVE THE FLAGGING TOURIST INDUSTRY AND PROMOTE RETAIL SALES AND PERHAPS EVEN SOME INDUSTRIAL GROWTH. COMMENT: PATER PRIVATELY FEELS THAT THIS IS A RATHER DUBIOUS ANALYSIS. SWAZILAND RETAIL OUTLETS ARE SO SMALL THAT EVEN WITH A 5 PER CENT ADVANTAGE THEY STILL WOULD NOT BE COMPETITIVE WITH THE RSA DISCOUNT HOUSES AND CHAIRN STORES. PATER'S VIEWPOINT DOES NOT INCLUDE POSSIBILITY OF ONE OR MORE LARGE RSA RETAIL SALES FIMRS REGISTERING A FIRM IN SWAZILAND AND QUALIFYING FOR SALES-TAX EXEMPTION. END COMMENT.

5. SAG OFFICIALS HAVE INDICATED THAT IF THE NEW TAX WERE IMPOSED THERE WOULD BE NO ATTEMPT AT TAXING ITEMS PURCHASED IN SWAZILAND ON RE-ENTRY IN RSA. AT PRESENT, THEY FEEL THE FOLUME OF SALES WOULD BE SMALL ENOUGH TO BE

TOLERABLE. ALSO, THIS SITUATION WOULD BE PARTICALLY BALANCED BY SWAZIS SHOPPING IN RSA. COMMENT: BOTH PATER AND STRYDOM STATED THAT GOS WAS PREPARED TO BE INSISTENT IN REQUESTING SALES TAX EXEMPTION OR COMPENSATION FOR SWAZIS SHOPPING IN SOUTH AFRICA. REALISTICALLY THERE IS VERY LITTLE CHANGE OF SAG'S AGREEING TO THIS. FYI: BLS RETAIL/WHOLESALE FIRMS REGISTERED IN RSA WILL AUTOMATICALLY QUALIFY FOR SALES TAX EXEMPTION. END COMMENT.

6. CONCLUSION: IT IS OBVIOUS THAT GOS HAS NOT YET THOUGHT THROUGH (AND PROBABLY DOES NOT WANT TO) THE IMPLICATIONS OF A ASACU SALES TAX. SWAZI LEADERS VIEW IT (PERHAPS A BIT OPTIMISTICALLY) AS AN INTERNAL SOUTH AFRICAN MATTER AND APPARENTLY NO NOT THINK THAT IT CAN BE IMPOSED IN SWAZILAND LIMITED OFFICIAL USE

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UNDER THE SACU AGREEMENT. AT THIS TIME EMBOFF IS INCLINED TO THINK SWAZI OPTIMISM IS JUSTIFIED. THE AMOUNT OF ANTAGONISM AND BITTER FEELINGS THAT SAG INSISTENCE ON A SACU-WIDE SALES TAX WOULD ENGENDER PROBABLY WOULD NOT BE WORTH THE FINANCIAL GAIN FOR SOUTH AFRICA. WACHOB

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